

City of Bellevue Tax Division

Guide to the City's Business & Occupation Tax

January 1, 2007

This pamphlet provides a basic description of Bellevue's business and occupation (B&O) tax and focuses on the more typical types of businesses and business activities. The material is intended for general information purposes only. It is current at the time of publication, but future changes in the City Code or State law may invalidate some of this information, and not all possible applications of tax are discussed.

Additional information and specifics relating to your business may be obtained in Chapters 4.03 and 4.09 of the Bellevue City Code or by contacting the City's Tax Division. Copies of the Code can be found in the City Clerk's Office and in the Tax Division. The Tax Division can be reached at:

phone: (425) 452-6851
email: tax@bellevuewa.gov
website: www.bellevuewa.gov/Bellevue_taxes.htm

B&O TAX PAYMENT PROCEDURES

All businesses engaged in any business activity in Bellevue must be registered with the City's Tax Division. A one-time \$28 registration fee is required. B&O tax returns are sent to all quarterly taxpayers near the end of each quarter. The form must be completed and returned with payment of any taxes due by the last day of the following month. Penalties and interest are due if tax returns are not filed and taxes paid by the due date. Penalties and interest are charged as follows:

Penalties

1 day - 1 month overdue	5% (\$5 min.)
over 1 month - 2 months	15% (\$5 min.)
over 2 months	25% (\$5 min.)

Interest

7% annual rate

B&O TAX SCHEDULE

Business and occupation tax is payable quarterly on the following schedule:

<u>Quarter Ending</u>	<u>Payment Due</u>
March 31	April 30
June 30	July 31
September 30	October 31
December 31	January 31

Helpful hints when submitting your tax return:

- * Use the returns provided. Substitutions can cause errors.
- * Use the pre-addressed envelope provided.
- * Make check or money order payable to City of Bellevue. Do not send cash.
- * Advise the Tax Division in writing of changes in address or status of ownership.

No tax return is due if a business is placed on a non-filing status and is below Bellevue's tax exemption levels.

Taxpayers are required to keep records for the most recent five-year period. All books, records, invoices, receipts, etc. shall be open for examination at reasonable times by the City's Tax Division or designated agent.

HIGHLIGHTS OF THE CITY'S BUSINESS & OCCUPATION TAX

- * All businesses doing business in the City, whether located in the City or located outside the City limits, must be registered with the City's Tax Division.
- * All businesses are subject to the B&O tax unless specifically exempted by Bellevue City Code.
- * Business and occupation taxes are due quarterly for businesses with annual gross receipts over \$135,000.
- * Businesses with annual gross receipts of \$135,000 or less (\$201.96 tax) will be placed on a non-filing status and are exempt from tax.
- * Current B&O tax rates:

Gross receipts tax - .1496% of gross receipts
Square footage tax - \$0.2056 per square foot per quarter

COMPONENTS OF THE CITY'S B&O TAX

There are two components of the business and occupation tax: gross receipts and square footage. These B&O taxes support general governmental services and the City's Capital Investment Program.

Every person, firm, association, or corporation doing business in the City is subject to the business and occupation tax. Some exemptions are provided from the City's B&O tax and will be discussed later in this pamphlet. In general, most businesses will report in the gross receipts business tax category. A number of businesses will report in the square footage tax category. A limited number of businesses will report in both categories.

GROSS RECEIPTS B&O TAX

The gross receipts B&O tax is primarily measured on gross proceeds of sales or gross income for the reporting period. For purposes of the gross receipts tax, businesses have been divided into several classifications which are discussed below. Businesses conducting multiple activities will report in more than one tax classification. The current gross receipts tax rate of .1496% applies to all gross receipts tax classifications. As an example, for each \$100,000 in gross receipts, \$149.60 tax is due.

Gross receipts tax classifications:

- **Manufacturing/Processing for Hire**

Manufacturing is the business of producing articles for sale from raw or prepared materials by giving these matters new forms or qualities, such as fabricating, processing, refining, mixing, packing, canning, etc. B&O tax is calculated on the value of products manufactured, determined by selling price. Processing for hire means the performance of labor and mechanical services upon materials or ingredients belonging to others so that as a result a new, different or useful product is produced for sale or

commercial or industrial use. B&O tax is calculated on gross receipts.

- **Extracting/Extracting for Hire**

Extracting is the taking of natural products, such as logging, mining, quarrying, etc. B&O tax is calculated on the value of products extracted, determined by selling price. Extractor for hire means a person who performs under contract necessary labor or mechanical services for an extractor. B&O tax is calculated on gross receipts.

- **Wholesaling**

Sellers of products to persons other than consumers are considered to be wholesalers. The B&O tax is calculated on the wholesale selling price.

- **Retailing/Retail Service**

Businesses that sell products and specific services to consumers are defined as retailers. Taxable retail services include those generally performed on property, such as repair, but not personal or professional services, such as services performed by doctors, attorneys, or accountants. The B&O tax is calculated on gross receipts.

- **Printing/Publishing**

Publishers of newspapers, magazines and periodicals are taxable under this classification, as well as persons who both print and publish books, music, circulars, etc. Printing includes letterpress, offset-lithography, and gravure processes as well as multigraph, mimeograph, autotyping, and similar activities. B&O tax is calculated on gross receipts. Firms engaging in photocopying documents should report under the Retailing classification.

- **Services and Other Activities**

Businesses that provide personal and professional services, such as lawyers, doctors, financial institutions, real estate brokers, insurance

brokers and solicitors, and accountants, are subject to the B&O tax under this classification. Also, any business that is not subject to another B&O tax classification must report under this "catch-all" category. B&O tax is calculated on the gross receipts of the business.

Exemptions, deductions, and credit allowed for certain business activities:

The following section discusses a number of the most common exemptions from the gross receipts tax and deductions allowed for certain business activities or sources of income. This discussion is not intended to be all inclusive. If you have questions about specific exemptions or deductions, please contact the City's Tax Division.

Deductions are to be included in the gross receipts amounts and then deducted when calculating the taxable amount on which the gross receipts tax rate applies. The most common exemptions and deductions are listed below.

Common Exemptions

- * Taxable gross receipts equal to or less than \$33,750 per quarter (\$135,000 annually).
- * Manufacturing, selling or distributing motor vehicle fuel.
- * Liquor, beer, and wine sales.
- * Sale, lease, or rental of real estate. However, no exemption is allowed for license to use real estate or for amounts received as commissions.
- * Insurance agents (brokers are subject to tax).
- * Farm products or edibles raised, produced or manufactured within the State of Washington and sold by the farmer.
- * Nonprofit organizations holding Federal IRS nonprofit status under 26 U.S.C. Section 501(c)(3), (4), or (7), except with respect to retail sales.

- * Casual and isolated sales, such as an accountant selling his or her office furniture.
- * Day care homes in residences.

Common Deductions

- * Interstate retail or wholesale sales.
- * Foreign retail or wholesale sales.
- * Cash discounts taken by customers.
- * Credit losses or bad debts sustained by sellers.
- * Gross receipts reported to and taxed by another City.

Credit

- * Multiple activities tax credit applies to persons who engage in business activities that are subject to tax under two or more tax classifications on the same revenues.

SQUARE FOOTAGE TAX

The square footage B&O tax was implemented to tax those business activities that occur within the City where no gross revenue is directly attributable to such activity. Generally, the tax applies to businesses that maintain headquarters, offices, facilities, or other support groups in Bellevue where the office or facility itself does not generate revenue taxable under the gross receipts tax. Examples of businesses that pay the tax include headquarter offices and businesses that make out-of-state or foreign sales.

The square footage B&O tax is reported under Tax Classification 8 (Square Footage) on the tax return and is measured on the floor area of office space computed to the nearest square foot. The current square footage B&O tax rate is \$0.2056 (20.56 cents) per taxable square foot per quarter. As an example, for each 1,000 square feet of taxable office space, \$205.60 tax is due

each quarter. This rate is adjusted each January based on the change in the Consumer Price Index to reflect the effects of inflation or deflation on the local economy.

Exemptions and deductions:

- * Offices with taxable square feet of 250 or less (Exemption).
- * Offices which support business activity, all or a portion of which is taxed under one of the gross receipts tax classifications (Deduction). For example, a retailer who sells in-state, as well as outside the State of Washington, may deduct the percentage of office space which has been taxed under another classification as noted in the following example:

	<u>Sales</u>	<u>% of Total Sales</u>
In-state sales	\$ 600,000	60% - taxed under Retailing
Out-of-state sales	\$ 400,000	40% - deduction under Retailing
Total sales	\$1,000,000	100%

40% of office square footage is subject to the square footage tax.

If a business has both an administrative office and a sales location which generates revenue in Bellevue, they may need to report both the square footage of the administrative office and the gross receipts and/or square footage of the sales office.

OTHER TAXES AND LICENSES

There are several other taxes and regulatory licenses that are administered by the City which affect businesses in Bellevue. Following is a brief synopsis of the additional taxes and/or regulatory licenses that may apply to your business:

Utility Tax: This tax is similar to the gross receipts business and occupation tax except it is imposed on utility businesses. The business activities affected by this tax are telephone, cellular, gas, electric, water, sewerage, drainage, cable, and garbage. The rates range from 4.5% to 6.0%. Requirements: Business registration and Utility tax returns.

Admission Tax: This tax is levied upon persons who pay an admission charge for entrance to an event or establishment. It is collected for the City by the business charging the admission, similar to the sales tax. The admission tax is computed on the ticket price. The rate is 3.0%. Requirements: Business registration and Admission tax returns.

Gambling Tax: All persons who are licensed by the Washington State Gambling Commission and conduct gambling activities in the City are required to pay the gambling tax. Such activities include bingo games, raffles, amusement games, and punchboards & pulltabs. The rate ranges from 2.0% to 5.0%. Requirements: Business registration and Gambling tax returns.

Regulatory Licenses: The following regulatory licenses are administered by the Tax Division and require annual renewal:

- 1) **Ambulance Operator** - Applies to businesses which provide ambulance services in Bellevue.
- 2) **Dance Hall Operator and Premise** - Applies to the operator and premise where a public dance is held for persons under twenty-one years of age where no food or liquor is served (\$100/375).
- 3) **Cabaret (music and dance)** - Applies to any establishment which serves food or liquor and where music, singing, dancing, or similar entertainment is permitted (\$400).

4) **Adult Entertainment Cabaret** -

Applies to any establishment open to the public where adult entertainment is provided. Managers and entertainers need an additional license (\$700/\$100).

5) **Pawnbroker/Dealer** - Applies to pawnbroker activities and those dealing in precious metals, stones or gems, jewelry, and bullion (\$100).

6) **Panoram** - Applies to establishments which charge for the display, viewing, or exhibition of adult films or video (\$200).

7) **Temporary Special Event** - Applies to the promoter of a special event where fifteen or more vendors are participating in the selling, bartering, exchanging, trading, or displaying of goods or services at an event open to the public (\$5 per day per vendor).

OTHER INFORMATION

The City offers free Business Outreach classes to explain the business and occupation tax and to assist businesses on how to file their State and local tax returns. These classes are presented jointly by the City and the State of Washington, Department of Revenue. If you are interested in attending, please call the City's Tax Division at (425) 452-6851.

For sales tax coding purposes on your State of Washington excise tax return, Bellevue's location code is 1704. The sales tax rate is 8.8% in Bellevue.

All businesses should make every effort to be fully informed of their tax liability, since the final responsibility for proper tax reporting rests with the taxpayer. Failure to receive a tax form does not relieve taxpayers of their tax liability.

QUESTIONS?

If you have any questions, please call the City's Tax Division at (425) 452-6851, or visit our website at www.bellevuewa.gov/Bellevue_taxes.htm.

Email: tax@bellevuewa.gov. You may also write to the City's Senior Tax Analyst at P.O. Box 90012, Bellevue, WA 98009-9012 or visit the Tax Division located at Bellevue City Hall, 450 - 110th Avenue NE; Fax (425) 452-6198.

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